

Special Task Force on UW Restructuring and Operational Flexibilities

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Compensation

The Task Force considered two questions related to compensation:

1. Should UW employees continue to be included in the state compensation plan making the UW System eligible for funds through the supplement process?
2. Should the Board of Regents be granted the authority to provide merit increases to UW employees using base resources?

Background

Compensation Plans

Under current law, the Board of Regents recommends a proposal for adjusting compensation and employee benefits for faculty, academic staff, and certain administrative positions to the director the Office of State Employment Relations. (OSER). After receiving the Board of Regents' recommendations, the OSER director submits a proposal to the Joint Committee on Employment Relations (JCOER) for adjusting compensation and employee benefits for those UW employees. By statute, this proposal is based upon the competitive ability of the Board of Regents to recruit and retain qualified faculty and academic staff, data collected as to rates of pay for comparable work in other public services, universities and commercial and industrial establishments, recommendations of the Board of Regents and any special studies carried on as to the need for any changes in compensation and employee benefits to cover each year of the biennium. The proposal for such pay adjustments may contain recommendations for across-the-board pay adjustments, merit or other adjustments and employee benefit improvements.

The proposal submitted by the Board of Regents to the OSER director is separate from the biennial budget request the Board of Regents submits to the Department of Administration and the Legislative Fiscal Bureau. Unlike funding items approved through the biennial budget process, funds to support adjustments in employee compensation and benefits are not added to the UW System's base budget at the time of JCOER approval. Instead, the UW System receives supplements from the compensation reserves to fund adjustments to employee compensation and

benefits approved by JCOER in each year of the biennium. Funding for these adjustments is added to the UW System's base budget during the budget process in the following biennium.

Under 2011 Act 32, the Board of Regents and the chancellor of UW-Madison will recommend proposals for adjusting compensation and employee benefits for all employees not covered by collective bargaining agreements beginning July 1, 2013.

Salary Adjustments

The Board of Regents may not grant merit increases unless the JCOER-approved pay plan allows for some portion of the funds provided to be used for that purpose. Pursuant to s. 36.09 (1)(j) of the statutes, Board of Regents may only increase the salaries of continuing faculty, academic staff, and certain administrative positions as follows: (a) as provided in the pay plan approved for those positions by the Joint Committee on Employment Relations; (b) to correct for salary inequities; (c) to fund job reclassifications and promotions; and (d) to recognize competitive factors. In addition, the Board of Regents may only increase the salaries of continuing senior executives as specified in (a), (b), and (d) above. In cases where the Board of Regents has granted salary increases to recognize competitive factors, the state is not obligated to increase appropriations to the UW System to fund these salary increases. Beginning July 1, 2013, this provision will apply to all UW employees not covered by a collective bargaining agreement, including employees holding positions that were formerly part of the classified service.

Supplemental Pay Plans

2011 Act 32 authorized the Board of Regents and the UW-Madison chancellor to provide supplemental pay plans for UW System employees and UW-Madison employees during the 2011-13 biennium. These supplemental pay plans would be funded with resources available to the Board of Regents and UW-Madison including the GPR block grant, tuition, gifts and grants, and other resources and would be in addition to compensation plans approved for such employees by the JCOER. These supplemental pay plans would require approval by JCOER. The Board of Regents would not receive pay plan supplements or request full funding of increases in salary and fringe benefit costs through the biennial budget process for costs related to these supplemental pay plans.

UW System Proposal

In its March, 8, 2012, document titled "Establishing New University Personnel Systems," which was provided to Task Force members in advance of the March 7 meeting, the UW System proposed several changes to current law and practice related to employee compensation. First, the UW System proposed that the Board of Regents include its request for funding for employee salary and benefits adjustments in its biennial budget request instead of submitting the request separately to the OSER director. This request would then be approved, or approved and modified, by the Legislature through the biennial budget process, instead of by JCOER outside of the budget process. Funding for the compensation plan would be added to the UW System's

base budget and the UW would no longer receive supplements from the compensation reserve during the biennium. According to the UW proposal, the funding provided would be used to provide cost-of-living adjustments to employees with solid performance. Increases beyond cost-of-living would be based on merit. In a subsequent document, the UW System proposed that statutes be modified to specify that additional compensation funding should be provided if the pay plan approved by JCOER for other state employees provides greater salary increases than approved for UW employees through the budget process.

Second, the UW System proposed that the Board of Regents be granted the authority to adjust salaries to recognize merit outside of the approved compensation plan. These salary adjustments would be funded with base institutional resources. The UW System also proposed that the Board of Regents be able to provide compensation on a one-time basis using base resources. These one-time payments would include signing bonuses and awards to recognize merit, competitive factors, equity, or a temporary change in duties.

According to the UW System's document, supplemental pay plans would be unnecessary if the changes proposed by the UW System were approved. At the March 7 Task Force meeting, UW System Vice President for Human Resources Al Crist said that it was unlikely that the UW System would forward a supplemental pay plan to JCOER for approval this biennium. UW-Madison Vice Chancellor for Administration and Task Force member Darrell Bazzell also presented at that meeting.

Discussion by Members

One Task Force member noted that UW employees have not had a pay plan in five years. Over this same time period, employee productivity has grown by 10-15%. That Task Force member cited the report of the Competitive University Workforce Commission (CUWC), which was convened by UW System President Kevin Reilly in early 2010. In their report, the members of the CUWC stressed the importance of competitive compensation for UW employees. The report also noted that UW institutions offered better benefits when compared to their peer institutions. However, these benefits have since been reduced. That Task Force member wanted to look at what limits the UW's ability to provide competitive compensation, noting that compensation is the UW's most important problem.

A second Task Force member agreed that compensation is the biggest issue facing UW institutions. That Task Force member noted that UW-Madison gets a lot of support from its foundation and suggested that other UW institutions should also look to their foundations for additional funds. That Task Force member said that foundations created to support individual UW institutions may not be raising as much money as they otherwise would because of state laws that restrict the use of those funds, particularly to support salaries. Mr. Bazzell said that donors generally want to fund special projects that add value to the university and do not generally contribute funds to the university's base budget. Mr. Bazzell said that UW-Madison is trying to find ways to leverage donors to maintain excellence.

One Task Force member asked whether the university was limited in terms of using "creative sources" to support competitive pay. For example, that Task Force member suggested that staffing levels could be reduced in some areas to support higher compensation for staff in other areas. The Task Force member also asked whether there were any statutory limits on the use of general purpose revenue (GPR) or student segregated fees to support salaries. The Task Force member suggested that the university might consider adjusting professors' course loads or reducing the number of deans or other administrative positions to free up funds. Mr. Bazzell replied that all of the tools suggested by the Task Force member are currently available to the Board of Regents and the chancellors. Under current law, the Board of Regents can adjust salaries to correct salary inequities and recognize competitive factors but do not have the ability to increase salaries on a broader basis.

Another Task Force member asked about the disparity in pay amongst UW institutions. Mr. Crist said that many of the institutions operate in different markets, which leads to differences in pay. He reiterated that institutions need the flexibility to adjust compensative to recognize performance, not just competitive factors.

One Task Force member asked if the Board of Regents could delegate pay plan decisions to the UW System President. Mr. Crist said that under current practice the Board of Regents establish guidelines for the distribution of pay plan increases and that decisions at the institutional level are made by the chancellors.

One Task Force member suggested that new hires be given the option to participate in private retirement programs such as those offered by TIAA-CREF instead of the Wisconsin Retirement System. According to that Task Force member, UW institutions have difficulty recruiting faculty and academic staff who currently participate in private retirement programs. Another Task Force member supported giving new hires this option. A third Task Force member did not want to discuss retirement benefits, saying that this was an issue best left to the Board of Regents.

One Task Force member said that requirements imposed on UW institutions by the Legislature and the Department of Administration adds to administrative costs. That Task Force member said that these additional administrative layers should be eliminated.

Comments by Faculty, Academic Staff, and Classified Staff Representatives

At the May 9, 2012, meeting of the Task Force, members heard from student, faculty, academic staff, and classified staff representatives. The faculty, academic staff, and classified staff representatives all included comments regarding compensation issues in their remarks.

Mark Schwartz, a distinguished professor of geography at UW-Milwaukee, said that the Board of Regents needs the ability to set compensation based on merit. Brad Barham, a professor of agricultural and applied economics at UW-Madison, noted that faculty compensation has declined by 20% when adjusted for inflation.

Dave Carlson, an academic staff representative from UW-Rock County, was concerned that the new personnel systems would allow for merit and performance pay. He suggested that academic staff salaries should be linked to faculty salaries and pay plans, not to the salaries of positions formerly in the classified service.

Paulette Feld, a classified staff member from UW-Oshkosh, noted that many classified staff and academic staff members share job duties yet receive different levels of pay. The UW should implement a pay schedule where employees receive fair pay for their skills and work. Ms. Feld stressed the importance of consistency in terms of benefits, work rules, and compensation across UW employee groups. Ms. Feld was also uncomfortable with the idea of merit pay or pay for performance. She was concerned that this would lead to people being paid different amounts for the same work and allow for favoritism. Ms. Feld said that UW employees needed base pay increases, not just increases based on merit.

Additional Discussion by Members

A Task Force member noted that faculty salaries at UW institutions are 15% behind faculty salaries at peer institutions. That Task Force member asked what decisions made by the UW have led to this difference in salaries and what other institutions have done to raise their faculty salaries. Dr. Barham said that pay plans for UW employees are not approved by the Board of Regents but rather at the state level. He cited the rescission of the 2% pay increase scheduled for June, 2009, and the implementation of furloughs in the 2009-11 biennial budget. He noted that the Board of Regents had been given the flexibility to match outside offers and that recruitment and retention funds had been provided in the 2005-07, 2007-09, and 2009-11 biennial budgets.

Nick Sloboda, a professor of English at UW-Superior, said that the quality of job applicants has declined because the pay offered by UW institutions is not competitive. Bill Gillard, assistant professor of English at UW-Fox Valley, said that professors at the UW Colleges have the lower salaries within the UW System. Because of their low salaries, the UW Colleges have difficulty attracting domestic job candidates and often get substantial numbers of international applicants for job postings. Dr. Gillard suggested that the Task Force consider alternative forms of compensation, such as tuition remissions, as suggested in the CUWC report.

Dr. Schwartz said that UW institutions have historically offered lower than average pay but better benefits. The value of the benefits provided to UW employees decreased under 2011 Act 10. This change in benefits has also effected graduate students and has made recruiting these students more difficult. Dr. Schwartz also noted that UW institutions can offer market-rate salaries to new hires, but have been unable to provide substantial increases to continuing employees. As a result, full professors are now 25% behind their peers.

Another Task Force member asked how Dr. Schwartz convinces new faculty members to accept an offer at UW-Milwaukee, given how far below market many salaries are. Dr. Schwartz

said that while he cannot do anything with compensation, he can offer other funds such as scholarships for graduate students and travel funds.

Alternatives

1. Should UW employees continue to be included in the state compensation plan making the UW System eligible for funds through the supplement process?

Options:

a. Yes. The Board of Regents and the UW-Madison chancellor would submit recommendations to the director of the Office of State Employment Relations (OSER) regarding adjustments in employee compensation and benefits as required under current law. Having received the recommendations of the Board of Regents and the UW-Madison chancellor, the OSER director would submit a proposal to JCOER for approval. The UW System would continue to receive supplements from the compensation reserves to fund adjustments to employee compensation and benefits during the biennium. These adjustments would be funded on an ongoing basis during the budget process in the following biennium.

b. No. The Board of Regents would request funding for adjustments in employee compensation and benefits in its biennial budget request. If approved, or modified and approved by the Legislature during the budget deliberations, funding for these adjustments would be provided in the UW System's base budget. The UW System would not receive supplements from the compensation reserve during the biennium and would not have its budget adjusted in the following biennium to fund previously approved adjustments in employee compensation and benefits.

2. Should the Board of Regents be granted the authority to provide merit-based salary increases to UW employees using base resources?

Options:

a. No. The Board of Regents would only be permitted to increase salaries as specified under current law.

b. Yes. The Board of Regents would be granted the authority to provide merit-based salary increases to UW employees using base resources. The state would not be obligated to increase appropriations to the UW System to fund merit-based salary increases.